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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JULY 18, 2002

APPLICATION OF

COLUMBIA GAS OF VIRGINIA, INC.

CASE NO. PUE-2001-00587

For Approval of a Retail Supply  
Choice Plan as Authorized by  
§ 56-235.8 of the Code of Virginia

Phase I

To Change Rates, Charges, Rules,  
and Regulations

Phase II

ORDER

By Order of June 28, 2002, in Phase I of this Case No. PUE-2002-00587, the Commission approved, with modifications, a retail supply choice plan authorized by § 56-235.8 A and B of the Code of Virginia ("Code") for Columbia Gas of Virginia, Inc. ("Columbia" or "Company"). Now before the Commission are the petitions filed by Washington Gas Energy Services, Inc., and Columbia for reconsideration. As discussed in this Order, the Commission grants the petitions and orders, in part, the relief requested.

On July 15, 2002, Columbia petitioned for reconsideration of two aspects of our Order of June 28, 2002. First, Columbia urged reconsideration of the pricing and allocation of revenues for two optional services. In its retail supply choice plan filed with the Commission, the Company proposed to offer

licensed gas suppliers two optional services, Enhanced Balancing Service and System Integration Service, at negotiated prices. In our Order of June 28, the Commission directed Columbia to modify its plan to offer the two services at rates based on cost. Columbia now proposes to negotiate the prices for Enhanced Balancing Service and System Integration Service with a cap or ceiling of a cost-based rate. The Commission also directed that Columbia credit all revenues from Enhanced Balancing Service and System Integration Service to the Company's PGAs. The Company now proposes to credit half of the revenues to the PGAs and to include the balance in jurisdictional revenues. If these modifications are not authorized, Columbia proposes to withdraw the optional services.

In addition to the modifications for optional services, Columbia also requested a deferral of the effective date of its retail supply choice plan. Columbia proposed that its plan take effect on July 1, 2002, and the Commission approved that effective date. According to the Company's request for reconsideration, additional time is required to implement the modifications required by the Commission's Order of June 28, and Columbia requested an extension of the effective date to October 1, 2002. In conjunction with the deferral of the effective date of its system-wide retail supply choice plan, the

Company requested authority to extend its pilot program in the Gainesville area through September 30, 2002.

Columbia's proposal to price Enhanced Balancing Service and System Integration Service through negotiations with a price ceiling is a new alternative for its retail supply choice plan. Likewise, the proposal to withdraw Enhanced Balancing Service and System Integration Service, and the proposal to credit half of the revenues from these services to the PGA, constitute a significant change to the plan. Such modifications should properly be considered after interested parties have notice and, at a minimum, an opportunity to file written comments. For that reason, the Commission will not consider these modifications on reconsideration. We emphasize, however, that we do not reach the merits of the proposals. Rather, as the Commission recognized at several points in the Order of June 28, Columbia may determine that modifications to its retail supply choice plan are needed, and the Company may make subsequent application to the Commission accordingly.

With regard to extending the effective date of the Company's system-wide retail supply choice program to October 1, 2002, the Commission will grant the requested relief. We expect the Company to be fully ready to begin its retail choice plan on October 1, 2002. In addition, since the effective date of the plan has been extended, the Commission will grant the requested

relief and authorize the pilot program to continue through September 30, 2002, under the terms and conditions now in effect. This authorization will be retroactive to July 1, 2002.

On July 10, 2002, Washington Gas Energy Services petitioned the Commission to reconsider approval of the billing and collection services that Columbia proposed to offer licensed gas suppliers participating in its retail supply choice plan. According to Washington Gas Energy Services, the Commission implicitly approved Columbia's procedure of dropping charges owed to a licensed gas supplier if the supplier and customer agree to a price change. Washington Gas Energy Services contends that Columbia's billing procedure may be contrary to the Commission's Rules Governing Retail Access to Competitive Energy Services, 20 VAC 5-312-90 M, which requires a local distribution company to track and bill arrearages for two billing cycles. Specifically, Washington Gas Energy Services requests that the Commission (1) order Columbia to bill for arrearages on consolidated bills when a price change occurs under a currently effective supplier contract, and (2) rule that 20 VAC 5-312-90 M does not allow a gas utility to treat a legitimate contract price change as a service termination.

In support of its request for relief, Washington Gas Energy Services refers to Columbia's Comments of May 3, 2002, at 64, where the Company states that it is modifying its billing

system to comply with 20 VAC 5-312-90 M to track supplier arrearages on consolidated bills. In these comments, Columbia further states its "intention to treat an arrearage resulting from a customer's change of supplier, *change of rate code*, or a return to Columbia in the same fashion" (emphasis added).

According to Washington Gas Energy Services' petition for reconsideration, "change of rate code" is Columbia's billing term for a contract price change. Treating a customer's change of supplier, a change of rate code, or a return to Columbia in the same fashion would result in treating a contract price change as a service termination for purposes 20 VAC 5-312-90 M. Consequently, after a contract price change, Columbia would track and bill arrearages owed to the licensed gas supplier for only two billing cycles before returning such arrearages to the licensed supplier for collection. Washington Gas Energy Services argues that it is unreasonable to treat a change in contract price as a service termination subject to application of 20 VAC 5-312-90 M. Columbia should continue to bill arrearages in the event of a contract price change.

The Commission finds that Washington Gas Energy Services' petition for reconsideration should be granted and that Columbia should modify its billing procedures. A change in contract price may not be interpreted as a service termination for the purpose of application of 20 VAC 5-312-90 M to local

distribution company consolidated billing. This provision of our rules addresses the treatment of the "... customer account arrearages owed to former competitive service providers ...". By any reasonable definition, a licensed gas supplier that continues to provide uninterrupted supply service to a customer after a change in contract price cannot be termed a "former competitive service provider." Further, pursuant to 20 VAC 5-312-90 I 8 g of the Retail Access Rules, the billing party must include the customer balance forward, or arrearage, of the non-billing party on consolidated bills. Thus, a standard component of consolidated billing service includes billing for customer account arrearages owed the competitive service provider.

Accordingly, IT IS ORDERED that

(1) Columbia's motion for reconsideration and Washington Gas Energy Services petition for reconsideration be granted.

(2) The effective date of Columbia's retail supply choice plan be extended from July 1, 2002, to October 1, 2002.

(3) The copies of revised tariff sheets, revisions to standard agreements, and revisions to the Operating Plan incorporating all modifications directed by the ordering paragraph (5) of the Order of June 28, 2002, show an effective date of October 1, 2002.

(4) Columbia be authorized to continue its pilot program in the Gainesville area through September 30, 2002, pursuant to the

same terms and conditions previously approved by the Commission, and that this authorization be retroactive to July 1, 2002.

(5) On or before July 26, 2002, Columbia shall file with the Commission's Division of Energy Regulation two copies of all tariff sheets governing the pilot program in the Gainesville area bearing an expiration date of September 30, 2002, and the following caption at the foot of each sheet: "By order of the Virginia State Corporation Commission in Case No. PUE-2001-00587, the pilot program originally authorized in Case No. PUE970455 will terminate on September 30, 2002." Columbia shall also file two copies of all tariff sheets revised to remove references to the pilot program and these tariff sheets shall bear an effective date of October 1, 2002.

(6) Columbia's requests for relief from, or modification of, the requirements of the Commissions Order of June 28, 2002, in Case No. PUE-2001-00587 are otherwise denied.

(7) No later than the effective date of its retail supply choice plan, Columbia shall modify its billing procedures applicable to licensed gas suppliers that participate in its retail supply choice plan to comply with the requirements of the Commission's Rules Governing Retail Access to Competitive Energy Services, 20 VAC 5-312-10 et seq., as discussed in this Order.